

**2007 DRAFTING REQUEST**

**Bill**

Received: **01/03/2008**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Joel Kleefisch (608) 266-8551**

By/Representing: **dan**

This file may be shown to any legislator: **NO**

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax, Business - credits**

Extra Copies:

Submit via email: **YES**

Requester's email: **Rep.Kleefisch@legis.wisconsin.gov**

Carbon copy (CC:) to: **joseph.kreye@legis.wisconsin.gov**

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Tax credit for eligible innovation projects and project facilities

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**Instructions:**

See Attached

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**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 01/03/2008	wjackson 01/07/2008		_____			State
/1			rschluet 01/07/2008	_____	sbasford 01/07/2008	sbasford 01/07/2008	

FE Sent For: **"1" @ intro. 1-14-08**

**<END>**

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PLEASE JACKET  
JASH 1  
Ljoe

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FE Sent For:

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in 1-3-08

Now please

due Mon-1-7-08

↑ stays

## 2007 SENATE BILL 74

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D-N

February 27, 2007 - Introduced by Senators KANAVAS, DARLING, S. FITZGERALD, KEDZIE, LEIBHAM and ROESSLER, cosponsored by Representatives KLEEFISCH, HAHN, VAN ROY, PRIDEMORE and GUNDERSON. Referred to Committee on Economic Development, Job Creation, Family Prosperity and Housing.

Regen

- 1 AN ACT *to amend* 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a), 71.34 (1) (g), 71.45 (2)
- 2 (a) 10. and 77.92 (4); and *to create* 71.07 (5j), 71.10 (4) (gwd), 71.28 (5j), 71.30
- 3 (3) (eor), 71.47 (5j), 71.49 (1) (eor) and 560.207 of the statutes; **relating to:**
- 4 creating an income and franchise tax credit for eligible innovation projects and
- 5 project facilities.

### *Analysis by the Legislative Reference Bureau*

Under this bill, a person may claim an income and franchise tax credit that is equal to 75 percent of the costs that the person paid in the taxable year related to creating and operating a project facility or to creating and maintaining an eligible innovation project. The amount that a claimant may claim in any taxable year may not exceed \$500,000, and the total amount of all claims in each year may not exceed \$10,000,000. Under the bill, a project facility is any facility located in this state that is operated for the purpose of creating and maintaining an eligible innovation project, if the operation of the facility is likely to create new jobs, or preserve existing jobs, in this state, as determined by the Department of Commerce. The bill defines an eligible innovation project as any real property, tangible personal property, or intangible property related to a new product or process that is based on new technology or the creative application of existing technology.

**SENATE BILL 74**

For further information see the **state** fiscal estimate, which will be printed as an appendix to this bill.

***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

**SECTION 1.** 71.05 (6) (a) 15. of the statutes is amended to read:

71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3n), (3s), (3t), (3w), (5b), (5d), and (5e), (5f), and (5h), and (5j) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership's, company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g).

**SECTION 2.** 71.07 (5j) of the statutes is created to read:

71.07 (5j) INNOVATION PROJECTS AND FACILITIES CREDIT. (a) *Definitions.* In this subsection:

1. "Blighted area" has the meaning given in s. 66.1331 (3) (a).

2. "Brownfield" means an industrial or commercial facility the expansion or redevelopment of which is complicated by environmental contamination.

3. "Claimant" means a person who is certified to receive tax credits under s. 560.207 and who files a claim under this subsection.

4. "Eligible innovation project" means any real property, tangible personal property, or intangible property related to a new product or process that is based on new technology or the creative application of existing technology.

5. "Project facility" means any facility located in this state that is operated for the purpose of creating and maintaining an eligible innovation project, if the operation of the facility is likely to create new jobs, or preserve existing jobs, in this state, as determined by the department of commerce.

## SENATE BILL 74

5600208

1 (b) *Filing claims.* Subject to the limitations provided under this subsection and  
2 s. ~~560.207~~, for taxable years beginning after December 31, 2006, a claimant may  
3 claim as a credit against the tax imposed under s. 71.02, up to the amount of the tax,  
4 an amount that is equal to the following costs paid by the claimant in the taxable  
5 year:

6 1. Except as provided in subd. 3., 75 percent of the costs of acquiring,  
7 constructing, reconstructing, rehabilitating, renovating, enlarging, or improving a  
8 project facility or eligible innovation project and 75 percent of the costs of all of the  
9 following related to creating and operating a project facility or to creating and  
10 maintaining an eligible innovation project:

11 a. Designs, plans, specifications, surveys, studies, estimates, and any similar  
12 services or items that are necessary or incidental to determining the feasibility or  
13 practicality of a project facility or eligible innovation project.

14 b. Site clearance and preparation.

15 c. Architectural, engineering, or legal services.

16 d. Marketing products.

17 2. The costs of equipping a project facility and the costs of all of the following  
18 related to creating and operating a project facility or to creating and maintaining an  
19 eligible innovation project:

20 a. Research and development.

21 b. Computer software or hardware.

22 c. Product testing and other quality control activities.

23 d. Perfecting products.

24 e. Creating and protecting intellectual property.

## SENATE BILL 74

## SECTION 2

1           3. If the project facility or eligible innovation project is a brownfield or located  
2 in a blighted area, and if the brownfield or blighted area is not otherwise being  
3 remediated with moneys received from the state, 100 percent of the costs described  
4 in subd. 1.

5           (c) *Limitations.* 1. The maximum amount of the credit that a claimant may  
6 claim under this subsection in a taxable year is \$500,000.

7           2. The maximum amount of the credits that may be awarded under this  
8 subsection and ss. 71.28 (5j) and 71.47 (5j) in each year is \$10,000,000.

9           3. Partnerships, limited liability companies, and tax-option corporations may  
10 not claim the credit under this subsection, but the eligibility for, and the amount of,  
11 the credit are based on their payment of amounts under par. (b). A partnership,  
12 limited liability company, or tax-option corporation shall compute the amount of  
13 credit that each of its partners, members, or shareholders may claim and shall  
14 provide that information to each of them. Partners, members of limited liability  
15 companies, and shareholders of tax-option corporations may claim the credit in  
16 proportion to their ownership interests.

17           (d) *Administration.* Section 71.28 (4) (e) to (h), as it applies to the credit under  
18 s. 71.28 (4), applies to the credit under this subsection.

19           **SECTION 3.** 71.10 (4) (gwd) of the statutes is created to read:

20           71.10 (4) (gwd) Innovation projects and facilities credit under s. 71.07 (5j) and

21           **SECTION 4.** 71.21 (4) of the statutes is amended to read:

22           71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
23 (2dj), (2dL), (2dm), (2ds), (2dx), (3g), (3n), (3s), (3t), (3w), (5b), (5e), (5f), (5g), and (5h),  
24 and (5j) and passed through to partners shall be added to the partnership's income.

25           **SECTION 5.** 71.26 (2) (a) of the statutes is amended to read:

## SENATE BILL 74

1 71.26 (2) (a) *Corporations in general.* The “net income” of a corporation means  
 2 the gross income as computed under the Internal Revenue Code as modified under  
 3 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit  
 4 computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c)  
 5 7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income  
 6 under this paragraph at the time that the taxpayer first claimed the credit plus the  
 7 amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm),  
 8 (1ds), (1dx), (3g), (3n), (3t), (3w), (5b), (5e), (5f), (5g), and (5h), and (5j) and not passed  
 9 through by a partnership, limited liability company, or tax-option corporation that  
 10 has added that amount to the partnership's, limited liability company's, or  
 11 tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g) plus the amount  
 12 of losses from the sale or other disposition of assets the gain from which would be  
 13 wholly exempt income, as defined in sub. (3) (L), if the assets were sold or otherwise  
 14 disposed of at a gain and minus deductions, as computed under the Internal Revenue  
 15 Code as modified under sub. (3), plus or minus, as appropriate, an amount equal to  
 16 the difference between the federal basis and Wisconsin basis of any asset sold,  
 17 exchanged, abandoned, or otherwise disposed of in a taxable transaction during the  
 18 taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

19 SECTION 6. 71.28 (5j) of the statutes is created to read:

20 71.28 (5j) INNOVATION PROJECTS AND FACILITIES CREDIT. (a) *Definitions.* In this

21 subsection:

- 22 1. “Blighted area” has the meaning given in s. 66.1331 (3) (a).
- 23 2. “Brownfield” means an industrial or commercial facility the expansion or
- 24 redevelopment of which is complicated by environmental contamination.

## SENATE BILL 74

## SECTION 6

5600208  
1 3. "Claimant" means a person who is certified to receive tax credits under s.

2 ~~560.206~~ and who files a claim under this subsection.

3 4. "Eligible innovation project" means any real property, tangible personal  
4 property, or intangible property related to a new product or process that is based on  
5 new technology or the creative application of existing technology.

6 5. "Project facility" means any facility located in this state that is operated for  
7 the purpose of creating and maintaining an eligible innovation project, if the  
8 operation of the facility is likely to create new jobs, or preserve existing jobs, in this  
9 state, as determined by the department of commerce.

10 (b) *Filing claims.* Subject to the limitations provided under this subsection and  
11 s. ~~560.207~~, for taxable years beginning after December 31, 2006, a claimant may  
12 claim as a credit against the tax imposed under s. 71.23, up to the amount of the tax,  
13 an amount that is equal to the following costs paid by the claimant in the taxable  
14 year:

15 1. Except as provided in subd. 3., 75 percent of the costs of acquiring,  
16 constructing, reconstructing, rehabilitating, renovating, enlarging, or improving a  
17 project facility or eligible innovation project and 75 percent of the costs of all of the  
18 following related to creating and operating a project facility or to creating and  
19 maintaining an eligible innovation project:

20 a. Designs, plans, specifications, surveys, studies, estimates, and any similar  
21 services or items that are necessary or incidental to determining the feasibility or  
22 practicality of a project facility or eligible innovation project.

23 b. Site clearance and preparation.

24 c. Architectural, engineering, or legal services.

25 d. Marketing products.



## SENATE BILL 74

2. The costs of equipping a project facility and the costs of all of the following related to creating and operating a project facility or to creating and maintaining an eligible innovation project:

- a. Research and development.
- b. Computer software or hardware.
- c. Product testing and other quality control activities.
- d. Perfecting products.
- e. Creating and protecting intellectual property.

3. If the project facility or eligible innovation project is a brownfield or located in a blighted area, and if the brownfield or blighted area is not otherwise being remediated with moneys received from the state, 100 percent of the costs described in subd. 1.

(c) *Limitations.* 1. The maximum amount of the credit that a claimant may claim under this subsection in a taxable year is \$500,000.

2. The maximum amount of the credits that may be awarded under this subsection and ss. 71.07 (5j) and 71.47 (5j) in each year is \$10,000,000.

3. Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (b). A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.

## SENATE BILL 74

## SECTION 6

(d) *Administration*. Subsection (4) (e) to (h), as it applies to the credit under sub. (4), applies to the credit under this subsection.

**SECTION 7.** 71.30 (3) (e<sup>(cd)</sup>or) of the statutes is created to read:

71.30 (3) (e<sup>(cd)</sup>or) Innovation projects and facilities credit under s. 71.28 (5j)<sup>(Sm)</sup>.

**SECTION 8.** 71.34 (1) (g) of the statutes is amended to read:

71.34 (1) (g) An addition shall be made for credits computed by a tax-option corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g), (3n), (3t), (3w), (5b), (5e), (5f), (5g), and (5h), and (5j) and passed through to shareholders.

**SECTION 9.** 71.45 (2) (a) 10. of the statutes is amended to read:

71.45 (2) (a) 10. By adding to federal taxable income the amount of credit computed under s. 71.47 (1dd) to (1dx), (3n), (3w), (5b), (5e), (5f), (5g), and (5h), and (5j) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership's, limited liability company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit computed under s. 71.47 (1), (3), (3t), (4), and (5).

**SECTION 10.** 71.47 (5j) of the statutes is created to read:

71.47 (5j)<sup>(Sm)</sup> INNOVATION PROJECTS AND FACILITIES CREDIT. (a) *Definitions*. In this subsection:

1. "Blighted area" has the meaning given in s. 66.1331 (3) (a).
2. "Brownfield" means an industrial or commercial facility the expansion or redevelopment of which is complicated by environmental contamination.
3. "Claimant" means a person who is certified to receive tax credits under s. 560.206 and who files a claim under this subsection.

560208

## SENATE BILL 74

560.208  
1 4. "Eligible innovation project" means any real property, tangible personal  
2 property, or intangible property related to a new product or process that is based on  
3 new technology or the creative application of existing technology.

4 5. "Project facility" means any facility located in this state that is operated for  
5 the purpose of creating and maintaining an eligible innovation project, if the  
6 operation of the facility is likely to create new jobs, or preserve existing jobs, in this  
7 state, as determined by the department of commerce.

8 (b) *Filing claims.* Subject to the limitations provided under this subsection and  
9 s. ~~560.207~~, for taxable years beginning after December 31, 2006, a claimant may  
10 claim as a credit against the tax imposed under s. 71.43, up to the amount of the tax,  
11 an amount that is equal to the following costs paid by the claimant in the taxable  
12 year:

13 1. Except as provided in subd. 3., 75 percent of the costs of acquiring,  
14 constructing, reconstructing, rehabilitating, renovating, enlarging, or improving a  
15 project facility or eligible innovation project and 75 percent of the costs of all of the  
16 following related to creating and operating a project facility or to creating and  
17 maintaining an eligible innovation project:

18 a. Designs, plans, specifications, surveys, studies, estimates, and any similar  
19 services or items that are necessary or incidental to determining the feasibility or  
20 practicality of a project facility or eligible innovation project.

21 b. Site clearance and preparation.

22 c. Architectural, engineering, or legal services.

23 d. Marketing products.

## SENATE BILL 74

## SECTION 10

1           2. The costs of equipping a project facility and the costs of all of the following  
2 related to creating and operating a project facility or to creating and maintaining an  
3 eligible innovation project:

- 4           a. Research and development.  
5           b. Computer software or hardware.  
6           c. Product testing and other quality control activities.  
7           d. Perfecting products.  
8           e. Creating and protecting intellectual property.

9           3. If the project facility or eligible innovation project is a brownfield or located  
10 in a blighted area, and if the brownfield or blighted area is not otherwise being  
11 remediated with moneys received from the state, 100 percent of the costs described  
12 in subd. 1.

13           (c) *Limitations.* 1. The maximum amount of the credit that a claimant may  
14 claim under this subsection in a taxable year is \$500,000.

15           2. The maximum amount of the credits that may be awarded under this  
16 subsection and ss. 71.07 (5) and 71.28 (5) in each year is \$10,000,000.

17           3. Partnerships, limited liability companies, and tax-option corporations may  
18 not claim the credit under this subsection, but the eligibility for, and the amount of,  
19 the credit are based on their payment of amounts under par. (b). A partnership,  
20 limited liability company, or tax-option corporation shall compute the amount of  
21 credit that each of its partners, members, or shareholders may claim and shall  
22 provide that information to each of them. Partners, members of limited liability  
23 companies, and shareholders of tax-option corporations may claim the credit in  
24 proportion to their ownership interests.

## SENATE BILL 74

(d) *Administration*. Section 71.28 (4) (e) to (h), as it applies to the credit under s. 71.28 (4), applies to the credit under this subsection.

**SECTION 11.** 71.49 (1) (e<sup>(cd)</sup>or) of the statutes is created to read:

71.49 (1) (e<sup>(cd)</sup>or) Innovation projects and facilities credit under s. 71.47 (5j). <sup>(Sm)</sup>✓

**SECTION 12.** 77.92 (4) of the statutes is amended to read:

77.92 (4) "Net business income," with respect to a partnership, means taxable income as calculated under section 703 of the Internal Revenue Code; plus the items of income and gain under section 702 of the Internal Revenue Code, including taxable state and municipal bond interest and excluding nontaxable interest income or dividend income from federal government obligations; minus the items of loss and deduction under section 702 of the Internal Revenue Code, except items that are not deductible under s. 71.21; plus guaranteed payments to partners under section 707 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3s), (3n), (3t), (3w), (5b), (5e), (5f), (5g), and (5h), and (5j); and plus or minus, as appropriate, transitional adjustments, depreciation differences, and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but excluding income, gain, loss, and deductions from farming. "Net business income," with respect to a natural person, estate, or trust, means profit from a trade or business for federal income tax purposes and includes net income derived as an employee as defined in section 3121 (d) (3) of the Internal Revenue Code.

**SECTION 13.** 560.207 of the statutes is created to read:

<sup>(B)</sup> 560.207 <sup>560.207</sup> **Innovation projects and facilities program.** (1) INNOVATION PROJECTS AND FACILITIES TAX CREDITS. The department shall implement a program to certify businesses for purposes of ss. 71.07 (5j), 71.28 (5j), and 71.47 (5j). A business desiring certification shall submit an application to the department in each taxable

**SENATE BILL 74****SECTION 13**

1 year for which the business desires certification. For the purpose of certifying  
2 businesses under this subsection for taxable years beginning after December 31,  
3 2006, and before January 1, 2009, the department shall give priority to businesses  
4 that use biotechnology or nanotechnology. Unless otherwise provided under the  
5 rules of the department, a business may be certified under this subsection, and may  
6 maintain such certification, only if the business satisfies all of the following  
7 conditions:

8 (a) It conducts business in this state.

9 (b) At least 51 percent of the employees employed by the business are employed  
10 in this state.

11 (c) It is engaged in, or has committed to engage in, manufacturing, agriculture,  
12 or processing or assembling products and conducting research and development or  
13 developing a new product or business process.

14 (d) It is not engaged in real estate development, insurance, banking, lending,  
15 lobbying, political consulting, professional services provided by attorneys,  
16 accountants, business consultants, physicians, or health care consultants, wholesale  
17 or retail trade, leisure, hospitality, transportation, or construction.

18 **(2) ADMINISTRATION.** (a) The department shall maintain a list of businesses  
19 certified under sub. (1) and shall permit public access to the lists through the  
20 department's Web site.

21 (b) The department of commerce shall notify the department of revenue of  
22 every certification issued under sub. (1) and the date on which any such certification  
23 is revoked or expires.

## SENATE BILL 74

1 (c) Annually, no later than September 15, the department shall submit a report  
2 to the chief clerk of each house of the legislature for distribution to the legislature  
3 under s. 13.172 (2), listing all of the following information:

4 1. The total amount of tax credits claimed under ss. 71.07 (5j), 71.28 (5j), and  
5 71.47 (5j) per taxable year. (5m) ↓

6 2. The name of each business claiming tax credits under ss. 71.07 (5j), 71.28 (5j),  
7 and 71.47 (5j), the amount of the tax credits, and the amount of the innovation costs. (5m)

8 3. Any other information the department considers reasonable to include.

9 (END)

**2007-2008 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-3753/?ins  
JK:.....

**Insert 2 - 6**

1           **SECTION 1.** 71.05 (6) (a) 15. of the statutes, as affected by 2007 Wisconsin Act  
2   20, is amended to read:  
3           71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),  
4   (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3h), (3n), (3p), (3s), (3t), (3w), (5e),  
5   (5f), (5h), (5i), (5j), and (5k), and (5m) and not passed through by a partnership,  
6   limited liability company, or tax-option corporation that has added that amount to  
7   the partnership's, company's, or tax-option corporation's income under s. 71.21 (4)  
8   or 71.34 (1) (g).

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49; 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; 2007 a. 20; s. 13.93 (2) (c).

**Insert 5 - 18**

9           **SECTION 2.** 71.21 (4) of the statutes, as affected by 2007 Wisconsin Act 20, is  
10   amended to read:  
11           71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
12   (2dj), (2dL), (2dm), (2ds), (2dx), (3g), (3h), (3n), (3p), (3s), (3t), (3w), (5e), (5f), (5g),  
13   (5h), (5i), (5j), and (5k), and (5m) and passed through to partners shall be added to  
14   the partnership's income.

History: 1987 a. 312, 411; 1989 a. 31; 1993 a. 112; 1995 a. 27, 400; 1997 a. 27; 2001 a. 16; 2003 a. 99, 135, 255, 326; 2005 a. 74, 361, 479, 483; 2007 a. 20.

15           **SECTION 3.** 71.26 (2) (a) of the statutes is amended to read:  
16           71.26 (2) (a) *Corporations in general.* The "net income" of a corporation means  
17   the gross income as computed under the Internal Revenue Code as modified under  
18   sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit  
19   computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c)  
20   7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income  
21   under this paragraph at the time that the taxpayer first claimed the credit plus the

*as affected by 2007 Wisconsin Act 20,*



1 amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm),  
2 (1ds), (1dx), (3g), (3h), (3n), (3p), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and  
3 (5m) and not passed through by a partnership, limited liability company, or  
4 tax-option corporation that has added that amount to the partnership's, limited  
5 liability company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1)  
6 (g) plus the amount of losses from the sale or other disposition of assets the gain from  
7 which would be wholly exempt income, as defined in sub. (3) (L), if the assets were  
8 sold or otherwise disposed of at a gain and minus deductions, as computed under the  
9 Internal Revenue Code as modified under sub. (3), plus or minus, as appropriate, an  
10 amount equal to the difference between the federal basis and Wisconsin basis of any  
11 asset sold, exchanged, abandoned, or otherwise disposed of in a taxable transaction  
12 during the taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

**History:** 1987 a. 312; 1987 a. 411 ss. 22, 124 to 129; 1989 a. 31, 336; 1991 a. 37, 39, 221, 269; 1993 a. 16, 112, 246, 263, 399, 437, 491; 1995 a. 27, 56, 351, 371, 380, 428; 1997 a. 27, 37, 184, 237; 1999 a. 9, 65; 1999 a. 150 s. 672; 1999 a. 167, 194; 2001 a. 16, 38, 106, 109; 2003 a. 33, 85, 99, 135, 255, 326; 2005 a. 25, 74, 335, 361, 362, 479, 483; 2007 a. 20; s. 13.93 (2) (c).

### Insert 8 - 16

13 **SECTION 4.** 71.34 (1) (g) of the statutes, as affected by 2007 Wisconsin Act 20,  
14 is amended to read:

15 71.34 (1) (g) An addition shall be made for credits computed by a tax-option  
16 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g),  
17 (3h), (3n), (3p), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (5m) and passed  
18 through to shareholders.

*as affected by 2007 Wisconsin Act 20;*

**History:** 1987 a. 312; 1987 a. 411 ss. 18, 23, 146; 1989 a. 31, 336; 1991 a. 39, 269; 1993 a. 16, 437; 1995 a. 27, 380, 428; 1997 a. 27, 37, 237; 1999 a. 9, 194; 2001 a. 16, 109; 2003 a. 33, 99, 135, 255, 326; 2005 a. 25, 49, 74, 361, 479, 483; 2007 a. 20.

19 **SECTION 5.** 71.45 (2) (a) 10. of the statutes is amended to read:

20 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit  
21 computed under s. 71.47 (1dd) to (1dx), (3h), (3n), (3p), (3w), (5e), (5f), (5g), (5h), (5i),  
22 (5j), and (5k), and (5m) and not passed through by a partnership, limited liability

1 company, or tax-option corporation that has added that amount to the partnership's,  
2 limited liability company's, or tax-option corporation's income under s. 71.21 (4) or  
3 71.34 (1) (g) and the amount of credit computed under s. 71.47 (1), (3), (3t), (4), and  
4 (5).

**History:** 1987 a. 312; 1989 a. 31, 336, 359; 1991 a. 37, 39, 269; 1993 a. 16, 112, 263, 437; 1995 a. 27, 56, 371, 380; 1997 a. 27, 37, 237; 1999 a. 9, 65; 1999 a. 150 s. 672; 1999 a. 167, 194; 2001 a. 16, 38, 109; 2003 a. 37, 85, 99, 135, 255, 326; 2005 a. 74, 297, 335, 361, 479, 483; 2007 a. 20.

**Insert 11 - 20**

5 **SECTION 6** 77.92 (4) of the statutes, as affected by 2007 Wisconsin Act 20, is  
6 amended to read:

7 77.92 (4) "Net business income," with respect to a partnership, means taxable  
8 income as calculated under section 703 of the Internal Revenue Code; plus the items  
9 of income and gain under section 702 of the Internal Revenue Code, including taxable  
10 state and municipal bond interest and excluding nontaxable interest income or  
11 dividend income from federal government obligations; minus the items of loss and  
12 deduction under section 702 of the Internal Revenue Code, except items that are not  
13 deductible under s. 71.21; plus guaranteed payments to partners under section 707  
14 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),  
15 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3h), (3s), (3n), (3p), (3t), (3w), (5e),  
16 (5f), (5g), (5h), (5i), (5j), and (5k), and (5m); and plus or minus, as appropriate,  
17 transitional adjustments, depreciation differences, and basis differences under s.  
18 71.05 (13), (15), (16), (17), and (19); but excluding income, gain, loss, and deductions  
19 from farming. "Net business income," with respect to a natural person, estate, or  
20 trust, means profit from a trade or business for federal income tax purposes and  
21 includes net income derived as an employee as defined in section 3121 (d) (3) of the  
22 Internal Revenue Code.

**History:** 1989 a. 335; 1991 a. 39, 269; 1993 a. 16, 112, 490; 1995 a. 27, 209; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2003 a. 99, 135, 255, 326; 2005 a. 74, 361, 479, 483; 2007 a. 20.

**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-3753/?dn

JK:.....

WLj

Representative Kleefisch:

This draft is based on 2007 Senate Bill 74, as modified to incorporate the changes made by 2007 Wisconsin Act 20. Please note that this draft, as well as Senate Bill 74, first applies to taxable years beginning after December 31, 2006. Consequently, depending on when the bill becomes law, some taxpayers may have to file amended 2007 returns in order to claim the credit.

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**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-3753/1dn  
JK:wlj:rs

January 7, 2008

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